

REPORT
VILLAGE OF VARNADO, LOUISIANA

General Purpose Financial Statements
As of and for the Year
Ended December 31, 2005

with Supplemental Information Schedules

William R. Darden

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Limited Liability Company*

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-21-06

VILLAGE OF VARNADO, LOUISIANA
Financial Statements
As of and for the Year Ended December 31, 2005
With Supplemental Information Schedule

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TRANSMITTAL LETTER

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2005


Office of the Legislative Auditor
P.O. Box 94937
Baton Rouge, LA 70804-9397

Dear Sir:

In accordance with Louisiana Revised Statute 24:514, enclosed are the annual financial statements for the Village of Varnado, Louisiana as of and for the fiscal year ended December 31, 2005.

The report includes all funds under the control and oversight of the Village. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles.

Sincerely

A handwritten signature in cursive script, appearing to read "Paris Sumrall", is written over a horizontal line.

Paris Sumrall, Mayor

March 17, 2006

William R. Durden

*Certified Public Accountant
Limited Liability Company*

820 11TH AVENUE
FRANKLINTON, LOUISIANA 70438
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MEMBER
A.I.C.P.A.

MEMBER
L.C.P.A.

Mayor and Board of Aldermen
Village of Varnado, Louisiana

I have compiled the accompanying financial statements of the governmental activities, and the business activities of the Village of Varnado, Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis and budgetary comparison information, on pages 3 through 9 and 24 through 26 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.



William R. Durden
Certified Public Accountant

March 17, 2006

Management's Discussion and Analysis

VILLAGE OF VARNADO

Varnado, Louisiana

Management's Discussion and Analysis

Introduction

The Village of Varnado is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standard Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (hereinafter referred to as GASB 34) and related standards.

Financial Highlights

- Total assets for the year were \$140,671 at December 31, 2005 and exceeded liabilities in the amount of \$135,251 (i.e., net assets). Of the total net assets, \$74,472 was unrestricted and available to support short-term operations, with the balance invested in capital assets net of related debt or restricted for long-term debt service.
- Revenues consist of ad valorem tax, sales taxes, refund on landfill operation, and fines and other fees. The total revenues for the fiscal year ending December 31, 2005 was \$77,197 representing an approximate decrease of 5.83% from total revenues for fiscal year December 31, 2004 of \$81,974. The net decrease of \$4,777 was a combination of various increases and decrease. Charges for service had a net increase of \$11,409. Fines increase by \$15,167, where as, franchise fees and occupational licenses decrease by \$3,767. General revenues decrease by \$16,186, which was caused by decrease in grant revenues of \$14,250 and in sales tax of \$3,058.
- The Village's operating expenditures for the Governmental Fund, consisting of those expenditures resulting from the Village's ongoing operations. Governmental operating expenditures decrease by \$22,630 over prior year. In the Government-Wide Statement of Activities, the total expenses are \$66,198. The Government-Wide Statement of Activities recorded depreciation expenses of \$12,419. The difference between Government-Wide and Governmental Fund expenses was the depreciation and the capital outlay, as shown on the reconciliation on page 13.
- The Village of Varnado had no long-term debt activity for the year ended December 31, 2005, and no outstanding long-term debt at year-end.

VILLAGE OF VARNADO

Varnado, Louisiana

Management's Discussion and Analysis

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The Village's basic financial statements are comprised of three components: 1) Government-Wide Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements The government-wide financial statements are designed to provide readers with a board overview of the Village's finances, in a manner similar to private-sector business. These financial statements are reported using the full accrual accounting method.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. These statements distinguish between those activities of the Village that are governmental and those that are considered business type activities.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resource that has been segregated for specific activities or objectives. The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The modified accrual basis of accounting is used by the governmental funds.

Notes to financial statements The notes to the financial statements provide required disclosure, essential to the understanding of the financial statements. The notes present information, about the Village's accounting policies, significant account balances, and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule.

VILLAGE OF VARNADO

Varnado, Louisiana

Management's Discussion and Analysis

Financial Analysis

Statement of Net Assets

Included below is a condensed Statement of Net Assets for the Village. The Condensed format allows the reader to view the overall financial position of the Village. An explanation of the components of this statement is included immediately following the table.

Condensed Statement of Net Assets:

	December 31, 2004	December 31, 2005	Dollar Change	Percent Change
Total Assets	<u>\$ 126,805</u>	<u>\$ 140,671</u>	<u>\$ 13,866</u>	<u>10.93%</u>
Total Liabilities	<u>2,552</u>	<u>5,420</u>	<u>2,868</u>	<u>112.38%</u>
Net Assets:				
Invested in capital assets, net of related debt	70,210	60,779	(9,431)	-13.43%
Unrestricted	<u>54,043</u>	<u>74,472</u>	<u>20,429</u>	<u>37.80%</u>
Total Net Assets	<u>\$ 124,253</u>	<u>\$ 135,251</u>	<u>\$ 10,998</u>	<u>8.85%</u>

Review of Government-Wide Condensed Statement of Net Assets

The composition of net assets and the change in net assets over time serves as a useful indicator of a government's financial position. The Village's assets at fiscal year-end exceeded liabilities by \$135,251 (net assets). Of the Village's net assets, \$60,779 is Restricted Net Assets for amounts "Invested in Capital Assets net of Related Debt" with the balance of \$74,472 in "Unrestricted Net Assets".

The category of net assets for "Invested in Capital Assets Net of Related Debt" reflects the total invested in capital assets (land, buildings, equipment, and infrastructure) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent assets available for future spending.

Unrestricted Net Assets are available to meet the ongoing needs of the Village.

VILLAGE OF VARNADO

Varnado, Louisiana

Management's Discussion and Analysis

Condensed Statement of Activities:

	December 31, 2004	December 31, 2005	Dollar Change	Percent Change
Governmental Activities:				
General government	\$ 15,194	\$ 12,632	\$ (2,562)	-16.86%
Public safety	26,687	36,726	10,039	37.62%
Streets & bridges	38,984	16,840	(22,144)	-56.80%
Total activities	<u>80,865</u>	<u>66,198</u>	<u>(14,667)</u>	<u>-18.14%</u>
Revenues:				
Charge for services	23,475	34,884	11,409	48.60%
General revenues	<u>58,499</u>	<u>42,313</u>	<u>(16,186)</u>	<u>-27.67%</u>
Total revenues	<u>81,974</u>	<u>77,197</u>	<u>(4,777)</u>	<u>-5.83%</u>
Change in net assets	1,109	10,999	9,890	891.79%
Net Assets, Beginning of Year	121,675	124,252	2,577	2.12%
Prior period adjustments	<u>1,469</u>	<u>-</u>	<u>(1,469)</u>	<u>100.00%</u>
Net Assets , End of Year	<u>124,253</u>	<u>135,251</u>	<u>10,998</u>	<u>8.85%</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Activities provides answers to the nature and scope of these changes. The above table gives an indication of how the mayor and board of aldermen operate the Village of Varnado on a conservative basis.

Total revenue decreased \$4,777, from prior fiscal year. The Village of Varnado increased its charges for services of \$11,409. Whereas, general revenues decrease by \$16,186, (\$14,250 decrease in state grant and decrease in sales tax of \$3,058).

The "Operating Expenditures" decreased by \$14,667. The general government's expenditures decrease by \$2,562. Public safety increase by \$10,039, which was the result of increases in, salaries of \$7,925, vehicle expense of \$1,130, and repair expense of \$1,229. Streets and bridges decrease by \$22,144. For additional detail see schedule 1 on page 24.

VILLAGE OF VARNADO
Varnado, Louisiana

Management's Discussion and Analysis

Analysis of Fund Financial Statements

Governmental Funds

The focus of the Village's Governmental Funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, *Unreserved Fund Balance* may serve as a useful measure of the Village's net resources available for spending at the end of the year.

As of December 31, 2005, the Village's Governmental Funds reported a combined ending fund balance of \$74,472, an increase of \$20,429, over the Fund Balance at December 31, 2004. The General Fund Balance of \$54,975 which represented 73.82% of the combined fund balance is unreserved and undesignated, which is available for spending at the Village's discretion. The Sales Tax Fund is reserved for expenditures that are dictated by the provisions of the sales tax ordinance (*street repair and maintenance*)

Budgetary Highlight

The Village adopted its 2005 budgets at our regular meeting of December 21, 2004. The mayor and board of aldermen reviews, the budget/actual financial figures, on a monthly basis. We approved the amended budgets at the regular board meeting of December 19, 2005. All appropriations lapse at year-end.

VILLAGE OF VARNADO
Varnado, Louisiana

Management's Discussion and Analysis

Budget vs. Actual – Fiscal Year End December 31, 2005

	General Government-General and Sales Tax Funds		
	Budget	Actual	Favorable
	Year Ended	Year Ended	(Unfavorable)
	December 31,	December 31,	Variance
	2005	2005	
Revenues:			
Fines	\$ 29,800	\$ 27,230	\$ (2,570)
Fees, Licenses, & Permits	7,700	7,654	(46)
Ad Valorem Taxes	2,600	2,551	(49)
Sales Taxes	23,500	22,398	(1,102)
Beer Taxes	1,500	1,549	49
Landfill Rebate	12,800	13,000	200
State Grant	2,800	2,815	15
Total Revenue	<u>80,700</u>	<u>77,197</u>	<u>(3,503)</u>
Expenditures:			
General Government	15,000	12,632	2,368
Public Safety	39,300	34,923	4,377
Streets and Bridges	37,550	9,212	28,338
Total Expenditures	<u>91,850</u>	<u>56,767</u>	<u>35,083</u>
Excess revenues over (under) expenditures	<u>\$ (11,150)</u>	<u>\$ 20,430</u>	<u>\$ 31,580</u>

Budget revenues exceeded actual revenues by \$3,503, which was in the allowed 5% variance. Actual expenditures was less than budget expenditures by \$35,083, due to a favorable variance in street and bridges of \$28,338 and a favorable variance in general government of \$2,368 and a favorable variance in public safety of \$4,377.

Capital Assets

At the end of the fiscal year December 31, 2005, the Village of Varnado had \$60,779 (net of accumulated depreciation) recorded in capital assets including land. Capital outlays are recorded as expenditures of the General Fund and as assets in the Government-Wide Financial Statement. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	40 years
Streets & Bridges	15-30 years
Vehicles & Equipment	5-10 year

VILLAGE OF VARNADO
Varnado, Louisiana

Management's Discussion and Analysis

Fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at fair market value on the date donated. The cost of all assets acquired, prior to 1989 have been valued using estimated historical cost.

Capital asset activity for the year ended December 31, 2005

	December 31, 2004	December 31, 2005	Dollar Change	Percentage Change
Land	\$ 6,500	\$ 6,500	\$ -	0.00%
Streets	424,160	424,160	-	0.00%
Bridges	5,000	5,000	-	0.00%
Buildings	7,000	7,000	-	0.00%
Tractors & Equipment	11,950	11,950	-	0.00%
Police vehicles	21,886	24,874	2,988	13.65%
subtotal	476,496	479,484	2,988	0.63%
Less Accumulated				
Depreciation	(406,286)	(418,705)	(12,419)	3.06%
Net Capital Assets	70,210	60,779	(9,431)	-13.43%

Purchases of capital assets included computer, police radios, and base mobile radios through a state grant (\$2988).

Future Economic Plans

The Village of Varnado's board of aldermen actively monitors revenues and expenses. They are constantly seeking state and or federal grants to fund improvements to the Village. Their sources of revenue are limited and any increase in the revenue sources is highly unlikely. Therefore the board's focus is on obtaining new grants, streamlining expenditures, and insuring all revenue is timely collected. The board's plan is always to improve services for the voters of the Village of Varnado, without increasing the tax burden.

FINANCIAL STATEMENTS

STATEMENT A

VILLAGE OF VARNADO
Varnado, Louisiana

STATEMENT OF NET ASSETS

AS OF DECEMBER 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 61,065
Receivables:	
Tax	4,415
Intergovernmental	13,418
Prepaid insurance	769
Capital assets, net of depreciation	54,279
Land	6,500
Utility deposits	225
 Total Assets	 <u>140,671</u>
LIABILITIES:	
Accounts payable	1,338
Payroll payable	4,082
 Total Liabilities	 <u>5,420</u>
NET ASSETS:	
Invested in capital assets, net of related debt	60,779
Unrestricted	74,472
 Total Net Assets	 <u>\$ 135,251</u>

See accountant's report and accompanying notes to the financial statements

STATEMENT B

VILLAGE OF VARNADO
Varnado, Louisiana

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

	Expenses	Charges for Services	Net (Expenses) Revenues
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 12,632	\$ 7,654	\$ 4,978
Public Safety	36,726	27,230	9,496
Streets & Bridges	16,840	-	16,840
Total Governmental Activities	<u>66,198</u>	<u>34,884</u>	<u>31,314</u>
General Revenues:			
Property taxes			2,551
Beer taxes			1,549
Sales taxes			22,398
Landfill operation refund			13,000
State grants			2,815
Total General Revenues			<u>42,313</u>
Change In Net Assets			10,999
Net Assets, Beginning of Year			124,252
Net Assets, End of Year			<u>\$ 135,251</u>

See accountant's report and accompanying notes to the financial statements

STATEMENT C

VILLAGE OF VARNADO, LOUISIANA
BALANCE SHEET
All Governmental Fund Types
December 31, 2005

	Government Fund Types		
	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 23,786	\$ 37,279	\$ 61,065
Accounts Receivable:			
Taxes	2,634	1,781	4,415
Intergovernmental	13,418	-	13,418
Interfund Assets:			
Due from Sales Tax Fund	19,007		19,007
Prepaid Insurance	769	-	769
Utility Deposits	225	-	225
Total Assets	<u>\$ 59,839</u>	<u>\$ 39,060</u>	<u>\$ 98,899</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts Payable	\$ 840	\$ 498	\$ 1,338
Payroll Payable	4,024	58	4,082
Interfund Liabilities:			
Due to General Fund	-	19,007	19,007
Total Liabilities	<u>4,864</u>	<u>19,563</u>	<u>24,427</u>
Fund Balance:	<u>54,975</u>	<u>19,497</u>	<u>74,472</u>
Total Fund Equity	<u>54,975</u>	<u>19,497</u>	<u>74,472</u>
Total Liabilities & Fund Equity	<u>\$ 59,839</u>	<u>\$ 39,060</u>	<u>\$ 98,899</u>
RECONCILIATION:			
Total Governmental Funds Balance			\$ 74,472
Capital Assets-net of depreciation			54,279
Land			6,500
Net Assets of Governmental Activities			<u>\$ 135,251</u>

See accountant's report and the accompanying notes to the financial statements

STATEMENT D

VILLAGE OF VARNADO, LOUISIANA
ALL GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures
and changes in Fund Balances
For the Year Ended December 31, 2005

	General Fund	Special Revenue Fund	Total
Revenues			
Fines	\$ 27,230	\$ -	\$ 27,230
Franchise Fees	2,992	-	2,992
Occupational Licenses	4,562	-	4,562
Ad Valorem Taxes	2,551	-	2,551
Beer Taxes	1,549	-	1,549
Garbage Taxes	13,000	-	13,000
Building Permits	100	-	100
Sales Taxes	-	22,398	22,398
State Grants	2,815	-	2,815
Total Revenues	<u>54,799</u>	<u>22,398</u>	<u>77,197</u>
Expenditures			
General Government	12,632	-	12,632
Public Safety	31,935	-	31,935
Streets & Sanitation	-	9,212	9,212
Capital Outlays- (state grant)	2,988	-	2,988
Total Expenditures	<u>47,555</u>	<u>9,212</u>	<u>56,767</u>
Excess of Revenues over Expenditures	7,244	13,186	20,430
Fund Balance - Beginnig of Year	<u>47,731</u>	<u>6,311</u>	<u>54,042</u>
Fund Balance - End of Year	<u>\$ 54,975</u>	<u>\$ 19,497</u>	<u>\$ 74,472</u>
RECONCILIATION:			
Change in Fund Balance-Funds Statement			\$ 20,430
Capital outlay			2,988
Depreciation expense-Government-Wide Statement			(12,419)
Change in Net Assets			<u>\$ 10,999</u>

See accountant's report and accompanying notes to the financial statements

NOTES TO FINANCIAL STATMENTS

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements For the Year Ended December 31, 2005

Introduction

The Village of Varnado, Louisiana, was incorporated in 1947, under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Alderman form of government. The governing body of the Village is elected by the registered voters, residing in the Village. Elected officials include the mayor, three alderman, and a police chief. These positions are compensated. All funds, of the Village, are administered by the Mayor and Board of Aldermen. Varnado is located approximately 10 miles south of the Mississippi state line. The Village is approximately 1321 acres in size and services a population of approximately 500. The Village employs one part-time office clerk and two part-time police officer.

1. Summary of Significant Accounting Policies

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Village is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, the Village, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Village is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. There are no other component units which the Village has an oversight relationship

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., The Statement of Net Assets And The Statement of Activities) report information on all of the governmental activities of the Village. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements For the Year Ended December 31, 2005

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on "Major" funds. Funds statements present in separate columns the General Fund, followed by Major Funds, with Non-Major Funds aggregated and displayed in a separate column. The new model (GASB Statement 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of Major Funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a Major Fund. All of the Village's funds were determined to be Major Funds and were reported in the governmental funds statement. The proprietary fund is reported separately.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available as they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements For the Year Ended December 31, 2005

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources, except those required to be accounted for in other funds.

The *Special Revenue Fund* accounts for the proceeds of sales tax revenue that are legally restricted to expenditures for specified purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the Village's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less. State law and the Village's investment policy allow the Village to invest in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the Village are reported at fair value.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements For the Year Ended December 31, 2005

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to" or "due from" other funds (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property taxes are levied on January 1 and become due on December 1, of each year. They become delinquent after December 31, and in June of each year the Village has a tax sale of property on which taxes have not been paid. For the year ended December 31, 2005, taxes of 3.66 mills were levied for general governmental purposes, on property with taxable assessed valuations totaling \$719,620. Levied taxes totaled \$2,634.

F. Inventories and Prepaid Items

Purchase of various operating supplies are considered expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Restricted Assets

Certain proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes are classified as restricted assets because their use is limited to specified expenditures.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items,) are reported, in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost, or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements For the Year Ended December 31, 2005

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated on the government-wide financial statements using the straight-line method over the following useful lives:

<u>Description</u>	<u>Lives</u>
General Government:	
Buildings	40 years
Streets	15 years
Bridges	30 years
Vehicles	5 years
Machinery & Equipment	7-10 years

I. Compensated Absences

The Village only employs part-time employees and does not have a formal leave policy.

J. Sales Taxes

Proceeds of the 1% sales and use tax levied by the Village are dedicated to "constructing and improving public roads, streets, bridges and crossings, and the extension and maintenance of sewerage and water works and other works of permanent public improvement".

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2005

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the Village, which are either unusual in nature or infrequent in occurrence.

N. Estimates

The preparation of financial statements in conformance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, and expenses during the reported period. Actual results could differ from those estimates.

O. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets is presented in Statement C of the basic financial statements. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities is presented in Statement D of the basic financial statements.

2. Stewardship, Compliance, and Accountability

The Village uses the following budget practices.

- a) The proposed budget for December 31, 2005, was made available for public inspection at the administrative building. The budget was adopted at regular meeting on December 21, 2004. The proposed budget was prepared on modified accrual basis of accounting.
- b) All expenditure appropriations lapse at year end.
- b) Unexpended appropriations and any excess of revenues over expenditures are carried forward to the subsequent year as beginning fund balances.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2005

d) The budget was amended at the Village's regular meeting December 19, 2005.

3. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2005:

Interest bearing demand deposits	\$ - 0 -
Non-interest bearing demand deposits	<u>61,065</u>
Total cash and cash equivalents	<u>\$61,065</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2005, the Village had the following deposits (collected bank balances, and CD investments):

Hibernia National.	
Non-interest demand deposits	\$ 62,299
Totals	<u>\$ 62,299</u>

These deposits are secured from risk by \$100,000 of federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Village that the fiscal agent has failed to pay deposited funds upon demand.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2005

4. Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based on historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities include sales taxes and ad valorem taxes. Business-type activities report utilities earnings unpaid at December 31, 2005.

Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available.

The following is a summary of receivables at December 31, 2005:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 2,634	1,781	\$ 4,415
Intergovernmental	13,418		13,418
Total Receivables	<u>\$ 16,052</u>	<u>\$ 1,781</u>	<u>\$ 17,833</u>

5. Inter-fund Receivables and Payables

The following is a detailed list of inter-fund balances reported in the fund financial statements:

	<u>Totals</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>
Interfund Receivables	<u>\$ 19,007</u>	<u>19,007</u>	
Interfund Payables	<u>\$ 19,007</u>	<u>-</u>	<u>19,007</u>

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2005

6. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended December 31, 2005:

<u>Governmental Activities</u>	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2005</u>
Capital Assets Not Depreciated:				
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Total Capital Assets Not Being Depreciated	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>6,500</u>
Other Capital Assets:				
Streets	424,160	-	-	424,160
Bridges	5,000	-	-	5,000
Buildings	7,000	-	-	7,000
Tractors and Equipment	11,950	-	-	11,950
Police auto and equipment	21,886	2,988	-	24,874
Total Other Capital Assets	<u>469,996</u>	<u>2,988</u>	<u>-</u>	<u>472,984</u>
Less Accumulated Depreciation:				
Streets	(382,488)	(6,733)		(389,221)
Bridges	(5,000)			(5,000)
Buildings	(6,125)	(175)		(6,300)
Tractors and Equipment	(5,890)	(720)		(6,610)
Police auto and equipment	(6,783)	(4,791)		(11,574)
Total Accumulated Depreciation	<u>(406,286)</u>	<u>(12,419)</u>	<u>-</u>	<u>(418,705)</u>
Other Capital Assets, Net	<u>63,710</u>	<u>(9,431)</u>	<u>-</u>	<u>54,279</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,210</u>	<u>\$ (9,431)</u>	<u>\$ -</u>	<u>\$ 60,779</u>

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2005

7. Law Enforcement Grant

The Village received grants from the Louisiana Commission on Law Enforcement for \$1,950 and \$865. The village purchases a computer, two radios, and two base mobile radios for total price of \$2,988.

8. Litigation and Claims

As of December 31, 2005, the Village was not involved in any outstanding litigations or claims.

9. Related Party Transactions

There were no related party transactions requiring disclosure in the financial statements.

10. Subsequent Events

There were no subsequent events requiring disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

VILLAGE OF VARNADO, LOUISIANA

ALL GOVERNMENTAL FUNDSSchedule of Expenditures
For the year Ended December 31, 2005

	General Fund	Special Revenue Fund
General Government:		
Salaries, Administrative	\$ 520	
Payroll taxes	80	
Per Diem, Mayor & Aldermen	2,400	
Office Supplies	787	
Advertising	732	
Dues & Subscriptions	125	
Repairs & Maintenance	619	
Insurance	3,347	
Professional Services	3,950	
Miscellaneous	72	
Total General Government	<u>\$ 12,632</u>	
Public Safety:		
Salaries, Police Officers	\$ 21,573	
Payroll Taxes	512	
Vehicle Expense	4,820	
Repairs and Maintenance	1,280	
Supplies	1,513	
Insurance	811	
Training	715	
Miscellaneous	711	
Total Public Safety	<u>\$ 31,935</u>	
Streets and Sanitation:		
Street Lights		\$ 5,274
Street Repairs & Maintenance		3,331
Salaries		560
Payroll Taxes		15
Office Supplies & Expense		32
Capital Outlay		-
Total Streets & Sanitation		<u>\$ 9,212</u>

See accountant's report and accompanying notes to the financial statements

VILLAGE OF VARNADO, LOUISIANA
ALL GOVERNMENTAL FUND TYPES

Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2005

	General Fund				Sales Tax Fund			
	Original Budget	Amended Budget	Actual	Variance	Original Budget	Amended Budget	Actual	Variance
Revenues								
Fines	\$10,200	\$28,800	\$27,230	\$ (2,570)	\$ -	\$ -	\$ -	\$ -
Franchise Fees	3,000	3,000	2,982	(18)	-	-	-	-
Occupational Licenses	8,000	4,600	4,562	(38)	-	-	-	-
Ad Valorem Taxes	1,500	2,600	2,551	(49)	-	-	-	-
Beer Taxes	1,600	1,600	1,548	49	-	-	-	-
Garbage Taxes	12,000	12,800	13,000	200	-	-	-	-
Sales Taxes	-	-	-	-	24,000	23,500	22,398	(1,102)
Building Permits	-	100	100	-	-	-	-	-
State Grants	1,500	2,800	2,815	15	-	-	-	-
Total Revenues	37,700	57,200	54,799	(2,401)	24,000	23,500	22,398	(1,102)
Expenditures								
General Government	12,100	16,000	12,632	2,368	-	-	-	-
Public Safety	19,200	39,300	31,935	7,365	12,000	27,550	9,212	18,338
Streets & Sanitation	-	-	-	-	10,000	10,000	-	10,000
Capital Outlays	5,000	-	2,988	(2,988)	22,000	37,550	9,212	28,338
Total Expenditures	36,300	54,300	47,555	6,745	-	-	-	-
Excess of Revenues over (under) expenditures	1,400	2,900	7,244	4,344	2,000	(14,050)	13,186	27,236
Other Financing Sources (Used)								
Operating Transfer in (out)	2,000	-	-	-	(2,000)	(2,000)	-	2,000
Excess Revenues and Other Sources over (under) Expenditures and Other Uses	3,400	2,900	7,244	4,344	-	(16,050)	13,186	29,236
Fund Balance - Beginning of Year	47,731	47,731	47,731	-	6,311	6,311	6,311	-
Fund Balance - End of Year	\$51,131	\$50,631	\$54,975	\$ 4,344	\$ 6,311	\$ (9,739)	\$ 19,497	\$ 29,236

See accountant's report and accompanying notes to the financial statements

VILLAGE OF VARNADO, LOUISIANA
Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2005

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

The Board of Aldermen of the Village consists of three members elected by the registered voters of the Village. The following is a schedule of the compensation of the mayor and aldermen. Compensation did not exceed provisions of R.S. 33:4305.B[1].

BOARD MEMBER	POSITION	COMPENSATION
Paris Sumrall	Mayor	\$ 840.00
Kimberly Kennedy	Alderman	560.00
Eathel Seal	Alderman	480.00
Mary Adam	Alderman	520.00
Total		<u>\$ 2,400.00</u>

See accountant's report and accompanying notes to the financial statements